

Intertek is a business that has consistently innovated and evolved to meet changing needs and demands. Today, consumers are demanding higher quality and greater sustainability; regulators are demanding safer products and better working conditions; and companies are focusing on reducing the risks in their increasingly complex operations and supply chains. We are evolving our Total Quality Assurance Proposition to address the needs of our clients and see us seizing the exciting growth opportunities in our changing industry.

“Intertek is a growth company on a ‘good to great’ journey.”

ANDRE LACROIX
Chief Executive Officer



‘I find out what the world needs, then I proceed to invent it’

So said Thomas Edison, who established the Edison Lamp Testing Bureau in 1896, one of the founding companies of Intertek. The ability to anticipate future trends has been a strength of Intertek over the years. Staying close to our customer needs is embedded in our day-to-day business to ensure that, as a company, we remain forward-looking and relevant in a rapidly changing world. This is the reason Intertek has a great heritage reaching back well over 100 years and over that time, our purpose, our vision and our mission are essentially unchanged.

Our purpose is bringing quality and safety to life.

Our vision is to become the world's most trusted partner for quality assurance.

Our mission is to exceed our clients' expectations with independent, innovative and bespoke assurance, testing, inspection and certification services for their operations and supply chains. Globally. 24/7.

2015 PERFORMANCE

We are pleased with the progress of the Group and we delivered a solid performance in 2015. Our organic growth momentum has improved and we have delivered EPS growth of 6.5%.

The Group remains strongly cash-generative and we have continued to invest in growth with capex and M&A in businesses with good growth and good margin prospects.

Given the continuing challenging trading conditions in the global oil and gas industry, we have taken a £577m non-cash impairment charge to reflect the uncertainties. This one-off charge has had a material impact on our reported profits, but does not impact the solid underlying performance of the business.

We have a tradition of innovation and as I travel around our operations across the globe to meet with our employees, customers, governments and regulators, I experience this innovative spirit every day across our business.

As I have come to know Intertek, I am clear that we have five fundamental strengths that make our business successful:

- a global network of state-of-the-art facilities
- a powerful portfolio with leadership positions
- the depth and breadth of Quality Assurance solutions
- a high margin, strong cash-generative earnings model
- a passionate and entrepreneurial culture

We are a growth company operating in a unique growth industry. We have more opportunities today than ever before – from consumers demanding higher quality and greater sustainability; from regulators demanding safer products and better working conditions; and from companies focusing on reducing the risks in their increasingly complex operations and supply chains.

We have indeed some truly exciting opportunities to make Intertek a great company.

CHANGING INDUSTRY DYNAMICS POSITIVE FOR INTERTEK

When companies outsource their supply chain around the world, it makes them more complicated and complex to manage. As a result, ensuring quality, traceability, ethical supply and sustainability in the supply chain has become the number one issue for many businesses. In today's ever more connected world, problems or issues are quickly disseminated and can be extremely damaging for any business.

As a result, both Board and management focus on risk management of their operations and supply chain is increasing. And, importantly, it is on shareholders' agenda too.

In November 2015, Stephanie Pfeifer, chief executive of the Institutional Investors Group on Climate Change, a group representing 118 investors with €12tn in assets under management wrote an open letter to EU policymakers stating that 'investors need to be reassured that testing is reliable' so that they can allocate 'capital to those entities that are best placed to deliver enduring value to shareholders'. I truly believe that it is only a matter of time before investors ask for more transparency on risk management and quality assurance.

At its core, **Testing, Inspection and Certification** ('TIC') is the quality control of end product formulations, raw materials, components and assets. However the industry is evolving beyond Quality Control and increasingly includes Quality **Assurance** as corporations increase their focus on the management of risk for their operations and supply chain.

Indeed our customers now expect a Total Quality Assurance solution that includes systemic and in-depth Assurance, Testing, Inspection and Certification for their business. The TIC industry is gradually becoming the ATIC Quality Assurance market, which, as a market leader in Assurance, is an exciting opportunity for our business and Group.

Assurance ensures our clients identify and mitigate the intrinsic risk in their operations, supply chain and quality management systems.

We have over 3,000 auditors and conduct on average 90,000 audits annually delivering assurance through ISO certificates and non-ISO evaluations, as well as ensuring businesses comply with regulations and improve performance within their supply chains.

In addition to Assurance, we provide our customers with Testing, Inspection and Certifications. We do that every day, around the globe and we do it very well. We are one of the market leaders with a global footprint of over 41,000 people and 1,000 laboratories and offices in over 100 countries.

Testing is evaluating how the products and services of our clients meet and exceed quality, safety, sustainability and performance standards.

Inspection is validating the specifications, value and safety of raw materials, products and assets.

Certification is certifying that products and services meet trusted standards.

ATTRACTIVE GROWTH OPPORTUNITIES

The ATIC Quality Assurance market is a \$250 billion opportunity with significant growth opportunities.

We provide ATIC services to our clients in three distinct sectors of the global economy that share broadly common characteristics – Products, Trade and Resources – and this is how we will report our progress going forward.

- **Products** is consumer goods, commercial & electrical, chemicals & pharmaceuticals and business assurance
- **Trade** is cargo, agriculture, government & trade services
- **Resources** is oil and gas capex and opex-related industry spend, minerals.

90% of our operating profit is derived from Products- and Trade-related businesses, both of which are delivering good growth fuelled by the higher quality and safety standards requested by consumers and the growth of global and regional trade. The third sector serviced by our business model, Resources, has experienced more difficult trading conditions over the past 12 to 24 months and, while we expect the market to remain challenging in the short term, the need to support the demands of a growing global population means we remain confident in the longer term outlook for the sector.

Given our broad service portfolio, our technical expertise and our global network of facilities, we are, in my view, extremely well positioned to take advantage of the various growth opportunities and to deliver global GDP plus organic revenue growth over the medium to long term. We will do this by offering a superior service proposition delivered by passionate employees and a Total Quality Assurance Solution leveraging our technical expertise and bespoke innovative ATIC solutions.

We see four growth opportunities. First, the structural factors that drive growth in quality control such as global trade, changing regulation, increasing quality standards, consumer or customer focus on sustainability, innovation, e-commerce, new brands, and technology as well as the increased focus of Boards and management on risk in their supply chain and operations.

Second, growing our market share with existing customers, through providing additional services, across more products or projects and wider coverage of the supply chain.

Third, gaining new customer contracts and convincing those businesses performing TIC in-house that they should outsource. We estimate that around four-fifths of the ATIC market, equivalent to \$200 billion, is in-house. We talk to these companies, offering a solution that will enable them to focus their resources on their core activities by providing the latest capabilities and familiarity with the latest regulations. As importantly, we provide independent expertise.

The fourth opportunity is industry consolidation. We have a highly cash-generative business model and a strong balance sheet to accelerate organic growth with selective acquisitions.

Strategic report

Chief Executive Officer's review continued

INTERTEK TOTAL QUALITY ASSURANCE PROPOSITION

We are providing our clients with independent, innovative and bespoke quality assurance solutions for their operations and supply chains 24 hours a day, 7 days a week across 100 countries.

The strength of our Service, Business Lines and Countries portfolio enables us to seize the exciting growth opportunities in the ATIC Quality Assurance market globally as we offer our clients a broad base offering of ATIC solutions.

The Intertek Total Quality Assurance Proposition is a compelling client offering based on:

- A global network of state-of-the-art facilities;
- Industry-leading technical expertise;
- Total Quality Assurance with ATIC services;
- Innovative and bespoke ATIC solutions in the Products, Trade, Resources sectors; and
- Superior customer service 24/7 fuelled by Industry-winning processes and our customer-centric culture.

Superior customer service is a key differentiator. I believe that creating a customer service for our clients will be a true accelerator of growth. We are increasing our efforts to continuously develop innovative processes to improve our customer service and at the core of this is using the Net Promoter Score ('NPS') methodology.

We want to leverage our passionate culture across our Group through engaged employees. We champion amongst our teams entrepreneurship, excellence, diversity, innovation, agility and, most importantly, we foster a focus on collaboration to create cross-selling opportunities and a sustainable business.

I strongly believe that in a decentralised and diverse global service business, fostering the right customer-centric culture will make our Intertek Total Quality Assurance Proposition a unique competitive advantage.

We have revisited our values to drive the right cultural behaviours and we have identified five values that are true to who we are:

- We are a global family that values diversity.
- We always do the right thing. With precision, pace and passion.
- We trust each other and have fun winning together.
- We own and shape our future.
- We create sustainable growth. For All.

OUR 5X5 STRATEGY FOR SUSTAINABLE GROWTH

To seize the exciting ATIC growth opportunities ahead and deliver our Total Quality Assurance Proposition, we have identified 5 clear strategic priorities and the right 5 enablers.

I call this our 5x5 growth strategy – five strategic priorities and five enablers.

The five strategic priorities are:

A **Strong Brand Proposition** that positions Intertek as the market leading quality assurance provider. Our brand proposition and our well-known and respected legacy brands will build awareness of our strong quality assurance value proposition.

Superior Customer Service that supports premium pricing, listens to our customers to improve delivery and develops innovative solutions leveraging technology to make Intertek the most trusted quality assurance provider.

An **Effective Sales Strategy** that delivers organic revenue growth, developing our business with existing customers and winning new clients.

A **Growth- and Margin-accretive Portfolio** strategy that delivers growth at the business line, country and service levels. It is about deciding where we want to allocate our people and capital resource to move the centre of gravity of the Company towards the good growth and good margin areas in the industry operating within strict capital allocation guidelines. We will manage organic performance and pursue M&A opportunities based on these portfolio priorities.

Operational Excellence to drive productivity. We will continue to eliminate non-essential costs, which will involve the consolidation of facilities and back offices, as well as streamlining and optimising our processes through improved IT infrastructure and technology.

The five enablers are:

Led by what I call '**Living Our Customer-centric Culture**'. We have a strong entrepreneurial spirit and are decentralised which means our businesses are very close to their markets. Our people really are passionate about what they do - they understand their business and their markets. We can build on these very strong foundations, empowering the workforce and putting the customer first.

Second is **Disciplined Performance Management** to deliver margin accretive revenue growth with strong cash conversion and returns on capital. We will focus on internal/external benchmarking with improved reporting process and leverage technology to manage aligned financial and non-financial performance metrics.

Superior Technology will add value to customers and increase our productivity. Our focus will be to improve the functionality and experience of our client-facing IT systems to provide the expected data intelligence as well as increasing the productivity of our back-office systems.

Energising Our People in an engaged workforce is key. We are a people business and I am a firm believer that by providing personal growth opportunities and clear guidelines on expectations we can unleash the undoubted potential of the Intertek organisation. We will invest in capability to support and fuel our growth agenda and ensure that our reward and recognition strategy drives high and sustainable performance.

Delivering Sustainable Results, Everywhere, Every Day.

This is about creating sustainable growth for our Customers, Employees, Shareholders, Suppliers and the community. We strongly believe that doing business the right way with all stakeholders will underpin the sustainability of our growth performance.

SHORT-TERM PRIORITIES IN 2016

To implement our 5x5 strategy we will be very focused in 2016 on ensuring internal alignment on revenue, margins and cash delivery.

Ensuring alignment inside the company through:

- an organisational structure supporting our business model;
- sponsorship of the 5x5 strategy at the top of the business with our growth agenda shared by the Executive Team;
- improving performance management;
- increased communications effort and best practice sharing; and
- a new short-term incentive scheme with a focus on margin accretive revenue growth with strong cash conversion to deliver strong returns.

In 2016, to deliver revenue growth, we plan to:

- execute the short-term action plans in our global business lines;
- develop and launch innovative ATIC Solutions in Products, Trade and Resources;
- drive ATIC cross-selling to existing and new customers based on key account plans;
- implement NPS measurement to measure our Customer service delivery; and
- prioritise organic capex investments.

To deliver margin and cash improvement, we plan to:

- implement the 2015 cost restructuring activities;
- continue to look at cost saving opportunities by reviewing facilities, processes and purchasing;
- drive operational excellence with focus on financial and non-financial metrics;
- ensure we manage our capacity and costs tightly in Industry Services and Minerals; and
- continue to improve cash management.

FOCUSED PORTFOLIO STRATEGY

Pursuing a growth- and margin-accretive portfolio is one of our five strategic priorities.

When managing our day-to-day performance and allocating our capital and people resource, we will pursue a three-tier portfolio strategy.

First, we will focus on our large businesses with good growth and margin prospects. These areas of focus are:

- At the Business Line level: Softlines, Hardlines, Electrical & Wireless, Cargo & Analytical Assessment and Government & Trade Services.
- At the Geographic level: North America, Greater China.

Second, we will invest in fast-growing businesses with good margin prospects where the focus areas are:

- At the Business Line level: Business Assurance, Agriculture, Building & Construction, Transportation Technologies and Food.
- At the Geographic level: South Asia, South East Asia, South America, Middle East and Africa.

Third, we will focus on improving the performance in:

- At the Business Line level: Industry Services and Minerals.
- At the Geographic level: Europe and Australasia.

DELIVERING SHAREHOLDER RETURNS

In my view, to deliver shareholder returns on a consistent basis the right formula is sustainable earnings growth with accretive disciplined allocation of capital. The **first priority** when it comes to capital allocation is investment supporting organic growth through capital expenditure and working capital to grow market share by delivering new services, opening new locations and winning new clients in areas with good growth and good margin prospects. In the medium to long term, we will invest 5% of revenue in capital expenditure.

The **second priority** is to deliver sustainable returns for our shareholders through the payment of progressive dividends. I am very comfortable with our current dividend payout ratio of circa 40% of earnings.

The **third priority** for capital is M&A activity to strengthen our portfolio in the right growth areas provided we can deliver good returns. This means focusing on those existing business lines or countries with good operations and margin prospects, where we have a leading market position or entering new exciting growth areas, be that geography or services.

In 2015, we announced five acquisitions in line with this strategy.

In February, we acquired Adelaide Inspection Services Pty Ltd, a non-destructive testing business focused on the power generation market.

In September, we acquired Dansk Institut for Certificering A/S ('DIC'), a quality assurance and certification company in Denmark. As a leading Danish certification body, DIC enables us to expand our Business Assurance capabilities in the growing Nordic region.

In November, we completed the purchase of Professional Service Industries, Inc. ('PSI'), for a total cash consideration of \$330 million. PSI is a leading US-based provider of testing and assurance services to commercial and civil construction markets, with a broad service offering including building materials testing; geotechnical services; and property and environmental assurance. The acquisition will build on the strong growth track record in our Building business and on the successful acquisition of Architectural Testing Inc. two years ago.

In October we acquired MT Group LLC and Materials Testing Lab, Inc., (together 'MT'), a leading provider of materials testing services for the building industry in the New York metro area.

The acquisitions of PSI and MT position us as a leading full service 'one stop shop' for our clients in the rapidly-growing US Building and Construction markets, bringing complementary services to our portfolio of Testing and Assurance services during the construction phase and deepening our footprint in the USA providing access to new markets and customers.

In December, we announced our intention to acquire Food International Trust ('FIT-Italia'), an Italian company specialising in the provision of assurance services to the retail and agricultural sectors, which completed in January 2016.

The **fourth priority** is to maintain an efficient balance sheet that gives us the flexibility to invest in growth with leverage of net debt to EBITDA of 1.5 to 2 times. At the end of 2015, following completion of the PSI transaction, net debt to EBITDA stood at 1.7 times on a pro forma basis.

Strategic report

Chief Executive Officer's review continued

OUTLOOK

The structural growth outlook for our industry is truly exciting. I believe that the ATIC Quality Assurance industry is a global GDP plus organic growth industry in the medium to long term, with many exciting opportunities.

In our Products-related businesses, the growth prospects are GDP-agnostic, driven by the need for companies to constantly innovate, raise quality standards, build brands, protect their reputations, meet regulatory standards and seek independent advice. This expanding investment in quality and innovation by our customers to build a brand franchise and gain market share will enable our Products business to benefit from faster than global GDP growth.

The Trade business is linked to GDP growth. We will benefit from the expanded global trade and the development of regional trade in Asia, the Indian Ocean, Africa, the Mediterranean and the Americas. On this basis, we expect the growth profile to track global and regional trade at a broadly similar rate to GDP.

The Resources business is more cyclical and will remain challenging in the short term. From time to time we will cycle through phases where low resource prices mean our customers' cash flow is restricted and, in such periods, we know that investment will be cut back. However, investment in exploration and production of oil, gas and minerals will increase over time to support the demands of a growing global population.

We plan to deliver in the medium to long term global GDP plus organic revenue growth, margin accretion from growth and productivity, strong cash conversion of 90-100% and strong returns, while creating sustainable returns for our shareholders.

In 2016, we expect to deliver a solid organic growth performance and we plan to integrate PSI in the USA. We expect our margin to be broadly stable and we will remain disciplined on cash generation and capital allocation.

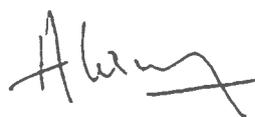
SUMMARY

Intertek has a long and proud heritage built on innovation. From the early days of Caleb Brett in 1885, Intertek is a business that has consistently innovated and evolved to meet the changing needs and demands of consumers, our customers and employees. We have grown from a UK base to serve our clients in over 100 countries around the globe, 24 hours per day, seven days a week. We have the capabilities, technology, facilities and passionate people providing superior assurance, testing, inspection and certification services.

As I look at Intertek today, I am truly excited about our future. We are seeing strong growth opportunities as the focus of corporates and their stakeholders is not just on quality control but quality assurance and risk management as Boards and management teams seek to reduce risk in their increasingly complex operations and supply chains. We are well positioned to seize these exciting growth opportunities with our strong ATIC Quality Assurance Proposition delivered globally in the three main sectors of the economy, Products, Trade and Resources. We are continuing to invest organically and making value-enhancing acquisitions that strengthen our portfolio.

We are focused on a portfolio of businesses to generate margin accretive revenue growth, strong returns and cash generation.

We are on a 'good to great' journey.



ANDRE LACROIX
Chief Executive Officer